

EQUITY - SPAIN

Sector: Chemicals

Report date: 15 Jun 2022

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Estimates upgrade

Closing price: EUR 3.37 (14 Jun 2022)

Ercros (ECR) is an industrial group manufacturing chemical products that operates through 3 divisions: (i) basic chemicals, (ii) intermediate chemicals and (iii) pharmaceuticals. The core activity is the production of chlorine-caustic soda, ECR being the main producer in Spain (60% of total installed capacity) and among the top 10 at the European level.

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2022e will be a record year. We upgrade our estimates significantly (EV/EBITDA 22e 3.5x)

Market Data

Market Cap (Mn EUR and USD)	340.3	354.2
EV (Mn EUR and USD) ⁽¹⁾	412.2	429.1
Shares Outstanding (Mn)	101.0	
-12m (Max/Med/Mín EUR)	3.88 / 3.26 / 2.79	
Daily Avg volume (-12m Mn EUR)	0.67	
Rotation ⁽²⁾	50.3	
Factset / Bloomberg	ECR-ES / ECR SM	
Close fiscal year	31-Dec	

Shareholders Structure (%)

Joan Casas Galofre	5.4
Victor Manuel Rodríguez Martín	5.0
Dimensional Fund Advisors, L.P.	5.0
Montserrat Garcia Pruns	3.1
Free Float	81.5

Financials (Mn EUR)

	2021	2022e	2023e	2024e
Adj. nº shares (Mn)	101.0	98.8	96.6	96.6
Total Revenues	822.9	1,055.7	846.6	860.5
Rec. EBITDA	85.6	120.3	93.0	95.8
% growth	77.4	40.6	-22.7	3.0
% Rec. EBITDA/Rev.	10.4	11.4	11.0	11.1
% Inc. EBITDA sector ⁽³⁾	25.9	13.9	2.5	3.1
Net Profit	43.3	71.0	49.1	51.8
EPS (EUR)	0.43	0.72	0.51	0.54
% growth	603.2	67.6	-29.3	5.6
Ord. EPS (EUR)	0.43	0.72	0.51	0.54
% growth	527.2	66.3	-29.3	5.6
Rec. Free Cash Flow ⁽⁴⁾	4.9	42.5	55.9	44.3
Pay-out (%)	19.0	20.0	22.0	24.0
DPS (EUR)	0.08	0.14	0.11	0.13
Net financial debt	59.6	46.6	18.7	-1.4
ND/Rec. EBITDA (x)	0.7	0.4	0.2	0.0
ROE (%)	14.1	20.1	12.8	12.7
ROCE (%) ⁽⁴⁾	11.1	16.8	11.4	11.8

Ratios & Multiples (x)⁽⁵⁾

	2021	2022e	2023e	2024e
P/E	7.9	4.7	6.6	6.3
Ord. P/E	7.8	4.7	6.6	6.3
P/BV	1.0	0.9	0.9	0.8
Dividend Yield (%)	2.4	4.3	3.3	3.8
EV/Sales	0.50	0.39	0.49	0.48
EV/Rec. EBITDA	4.8	3.4	4.4	4.3
EV/EBIT	7.7	4.5	6.5	6.2
FCF Yield (%) ⁽⁴⁾	1.4	12.5	16.4	13.0

(1) Please refer to Appendix 3.

(2) Rotation is the % of the capitalisation traded - 12m.

(3) Sector: Stoxx Europe 600 Chemicals.

(4) Please see Appendix 2 for the theoretical tax rate (ROCE) and rec. FCF calculation.

(5) Multiples and ratios calculated over prices at the date of this report.

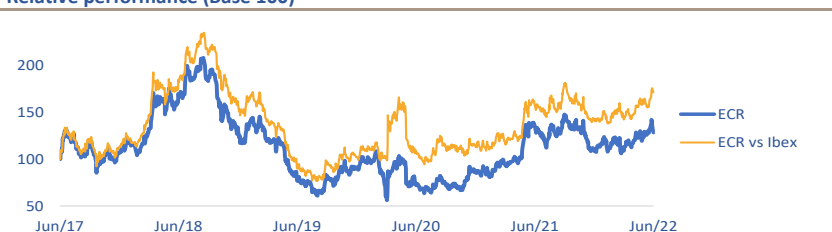
THE GOOD PROSPECTS HAVE BEEN CONFIRMED. On June 8, ECR published an estimate for 1H22 (based on the results closed in April and market visibility in May and June). The figures announced are: (i) sales of finished products of EUR 510-540Mn (vs EUR 359.9Mn in 1H21), (ii) EBITDA of EUR 70-75Mn (vs EUR 44.5Mn 1H21) and (iii) profit of EUR 40-45Mn (vs EUR 20.3Mn 1H21). Spectacular results (somewhat objective in this case) driven by the significant increase in price of its products with greatest exposure to the cycle.

THE CHLOR-ALKALI SECTOR IS LIVING A "UNIQUE" MOMENT, with sharp price rises for both PVC and caustic soda, against a backdrop of high demand and scarce supply (prices for April 2022 vs April 2021 +32% and +188%, respectively; see charts 1 and 2 on next page). To put this in context, despite the extremely large increase in caustic soda prices in April (a cumulative increase of c. 100% YTD), inventories in Western Europe remained close to lows (c. -15% vs the average for the month of April over 2017-2021).

WE UPGRADE OUR ESTIMATES (A LOT). We upgrade our estimate for 2022e sales to reflect the extraordinary price situation at present (2022e revenue: +28.3% vs 2021). This triggers a sharp increase in our estimate for 2022e EBITDA to EUR 120Mn (+54% vs previous estimate). And, although our model envisages a moderation of sales prices in 2023 (PVC and caustic soda 2023e: -34% and -28% respectively to levels close to the -5y average), our numbers point to 2023e EBITDA of EUR 93Mn (with the support of the investments already made and in progress to strengthen the intermediate chemicals and pharmacy divisions, not subject to the Chlor-Alkali cycle).

HISTORICAL RESULTS, ARE THEY PRICED IN? Despite the good share price performance YTD (+13.5% in absolute terms; +22% vs Ibex35) our 2022e numbers would be trading at an EV/EBITDA of 3.5x and P/E < 5x. Less optimistic estimates (that reflect the deterioration of the cycle) such as those for 2023e might be, would imply a 23e EV/EBITDA of 4.5x (vs 6x for its main listed peers) with a FCF yield of c. 15% and P/E < 7x. Maintaining an attractive shareholder remuneration (see following page) and ND/EBITDA 22e < 0.5x).

Relative performance (Base 100)



Stock performance (%)

	-1m	-3m	-12m	YTD	-3Y	-5Y
Absolute	4.5	15.8	-5.1	13.5	67.5	28.6
vs Ibex 35	8.0	18.2	9.2	22.6	90.9	71.8
vs Ibex Small Cap Index	3.1	13.8	3.2	12.2	33.3	-9.7
vs Eurostoxx 50	11.4	24.7	12.9	40.3	62.9	31.3
vs Sector benchmark ⁽³⁾	11.7	18.8	1.3	34.5	35.7	5.0

(*) Unless otherwise indicated, all the information contained in this report is based on: The Company, Factset and Lighthouse.

Report issued by IEF Servicios de Análisis, S.L.U. Lighthouse is a project of IEF Servicios de Análisis, S.L.U.

This report has been prepared on the basis of information available to the public. The report includes a financial analysis of the company covered. The report does not propose any personalised investment recommendation. Investors should consider the contents of this report as just another element in their investment decision-making process. The final two pages of this report contain very important legal information regarding its contents.

Estimates upgrade

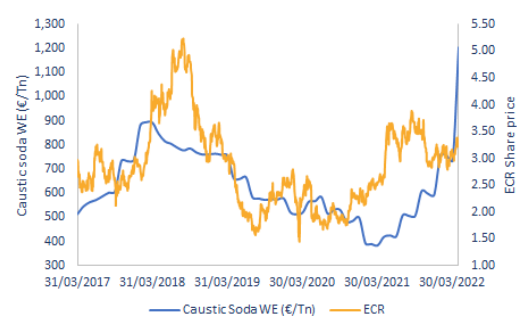
Table 1. Estimates review

EUR Mn	2022e (New)	Review (%)	2023e (New)	Review (%)	2024e (New)
Total Revenues	1055.7	44.9%	846.6	14.3%	860.5
Recurrent EBITDA	120.3	53.9%	93.0	15.4%	95.8
<i>Recurrent EBITDA growth</i>	<i>40.6%</i>	<i>38.1 p.p.</i>	<i>-22.7%</i>	<i>-25.8 p.p.</i>	<i>3.0%</i>
<i>Rec. EBITDA/Revenues</i>	<i>11.4%</i>	<i>0.7 p.p.</i>	<i>11.0%</i>	<i>0.1 p.p.</i>	<i>11.1%</i>
EBIT	91.8	88.2%	63.9	25.7%	66.2
Net Profit	71.0	99.4%	49.1	30.8%	51.8
Recurrent Free Cash Flow	42.5	98.7%	55.9	98.1%	44.3
<i>ND / EBITDA</i>	<i>0.4 x</i>	<i>n.a.</i>	<i>0.2 x</i>	<i>n.a.</i>	<i>0.0 x</i>

Chart 1. PVC price (WE) vs ECR share price



Chart 2. Caustic soda price WE (€/Tn) vs ECR share price



Source: Bloomberg

SHAREHOLDER REMUNERATION POLICY. Shareholder remuneration paid against 2021 results (EUR 21.5Mn; payout 50%) is distributed between: (i) payment of a dividend of 0.085 euros per share (EUR 8.2Mn; 19% of 2021 profit, dividend yield 2.4%) to be paid on June 22 and (ii) the cancellation of 4,372,048 shares of treasury stock (for whose acquisition ECR paid EUR 13.3Mn; 31% of 2021 profit).

Once the treasury stock shares have been cancelled, the number of outstanding shares will be reduced to 96,599,189 (a reduction of -4.3% on the number of shares at the 2021 close and of -15.3% vs the 2016 close; that improves any per share metric, Chart 3).

Chart 3. Number of shares (2016-present)

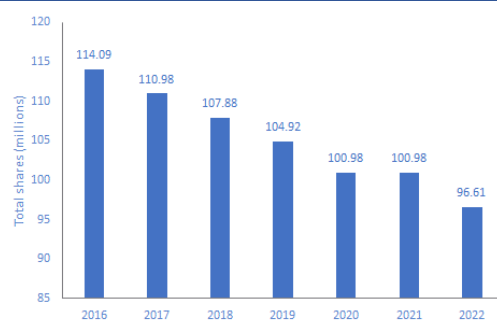
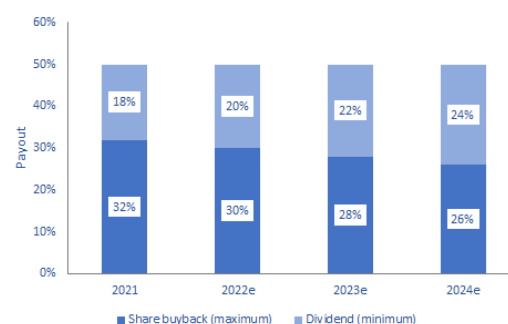


Chart 4. Total maximum payment (maximum payout)



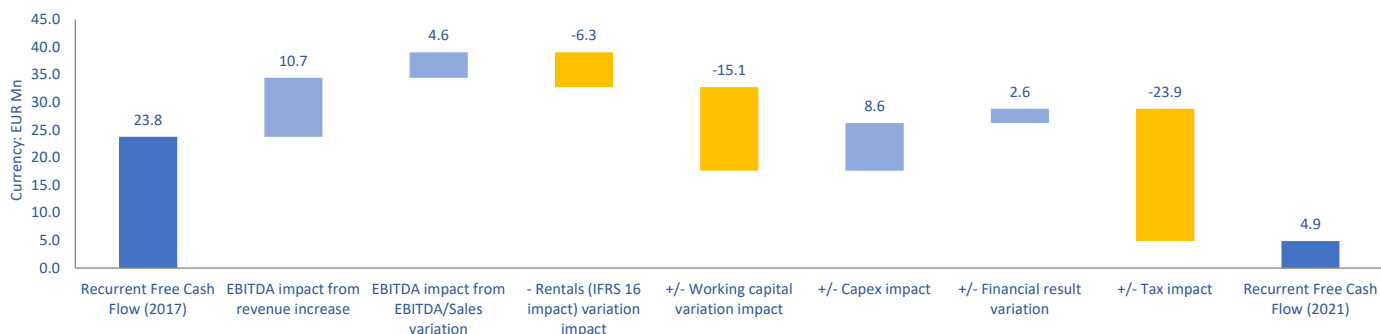
Appendix 1. Financial Projections

Balance Sheet (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
Intangible assets	4.1	4.2	19.7	16.1	17.7	18.2	18.7	19.2		
Fixed assets	269.4	281.7	296.9	311.3	324.5	336.9	343.5	349.8		
Other Non Current Assets	25.9	31.7	40.3	38.9	35.7	35.7	35.7	35.7		
Financial Investments	44.9	45.2	42.7	28.8	29.0	29.6	30.2	30.8		
Goodwill & Other Intangibles	-	-	-	-	-	-	-	-		
Current assets	218.3	218.9	184.5	148.6	248.9	317.8	254.8	258.1		
Total assets	562.6	581.6	584.1	543.6	655.8	738.2	682.9	693.6		
Equity	247.5	272.7	292.1	284.2	331.6	373.1	394.2	421.7		
Minority Interests	-	-	-	-	-	-	-	-		
Provisions & Other L/T Liabilities	84.1	76.5	62.2	55.8	67.6	67.6	67.6	67.6		
Other Non Current Liabilities	-	-	13.4	9.1	6.2	6.2	6.2	6.2		
Net financial debt	89.3	107.3	96.8	75.7	59.6	46.6	18.7	(1.4)		
Current Liabilities	141.7	125.2	119.6	118.8	190.8	244.7	196.3	199.5		
Equity & Total Liabilities	562.6	581.6	584.1	543.6	655.8	738.2	682.9	693.6		
P&L (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Total Revenues	689.3	677.1	677.9	579.3	822.9	1,055.7	846.6	860.5	4.5%	1.5%
<i>Total Revenues growth</i>	13.6%	-1.8%	0.1%	-14.6%	42.1%	28.3%	-19.8%	1.6%		
COGS	(433.1)	(435.1)	(439.3)	(348.3)	(532.8)	(710.5)	(546.0)	(553.3)		
Gross Margin	256.1	242.0	238.6	230.9	290.0	345.2	300.5	307.2	3.2%	1.9%
<i>Gross Margin/Revenues</i>	37.2%	35.7%	35.2%	39.9%	35.2%	32.7%	35.5%	35.7%		
Personnel Expenses	(83.4)	(79.9)	(83.1)	(84.3)	(87.0)	(88.2)	(87.1)	(88.8)		
Other Operating Expenses	(102.5)	(97.9)	(97.5)	(98.4)	(117.5)	(136.7)	(120.4)	(122.6)		
Recurrent EBITDA	70.3	64.3	58.0	48.2	85.6	120.3	93.0	95.8	5.0%	3.8%
<i>Recurrent EBITDA growth</i>	20.3%	-8.5%	-9.7%	-16.9%	77.4%	40.6%	-22.7%	3.0%		
<i>Rec. EBITDA/Revenues</i>	10.2%	9.5%	8.6%	8.3%	10.4%	11.4%	11.0%	11.1%		
Restructuring Expense & Other non-rec.	(21.7)	3.0	4.4	(0.9)	(0.4)	-	-	-		
EBITDA	48.5	67.3	62.4	47.3	85.2	120.3	93.0	95.8	15.1%	4.0%
Depreciation & Provisions	(14.2)	(24.2)	(25.1)	(27.4)	(25.7)	(22.7)	(23.3)	(23.8)		
Capitalized Expense	-	0.2	0.9	2.3	0.5	0.5	0.5	0.5		
Rentals (IFRS 16 impact)	-	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
EBIT	34.3	43.2	31.2	14.9	53.7	91.8	63.9	66.2	11.8%	7.2%
<i>EBIT growth</i>	-32.8%	25.9%	-27.8%	-52.1%	259.4%	71.1%	-30.5%	3.6%		
<i>EBIT/Revenues</i>	5.0%	6.4%	4.6%	2.6%	6.5%	8.7%	7.5%	7.7%		
Impact of Goodwill & Others	-	-	-	-	-	-	-	-		
Net Financial Result	(6.4)	(6.3)	(6.5)	(8.5)	(3.1)	(4.8)	(3.9)	(2.8)		
Income by the Equity Method	0.7	1.1	0.4	0.5	0.6	0.6	0.6	0.6		
Ordinary Profit	28.7	38.0	25.1	7.0	51.2	87.6	60.6	63.9	15.6%	7.7%
<i>Ordinary Profit Growth</i>	-36.7%	32.5%	-34.0%	-72.2%	632.4%	71.3%	-30.9%	5.6%		
Extraordinary Results	(0.1)	-	(2.5)	-	-	-	-	-		
Profit Before Tax	28.6	38.0	22.6	7.0	51.2	87.6	60.6	63.9	15.7%	7.7%
Tax Expense	15.9	6.9	8.4	(0.7)	(7.9)	(16.6)	(11.5)	(12.2)		
<i>Effective Tax Rate</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	10.4%	15.4%	19.0%	19.0%	19.0%		
Minority Interests	-	-	-	-	-	-	-	-		
Discontinued Activities	-	-	-	-	-	-	-	-		
Net Profit	44.5	44.9	31.0	6.3	43.3	71.0	49.1	51.8	-0.7%	6.2%
<i>Net Profit growth</i>	-1.5%	0.9%	-30.8%	-79.8%	592.0%	63.9%	-30.9%	5.6%		
Ordinary Net Profit	50.4	35.0	20.7	7.1	43.6	71.0	49.1	51.8	-3.6%	5.9%
<i>Ordinary Net Profit growth</i>	11.6%	-30.6%	-40.9%	-65.8%	517.1%	62.7%	-30.9%	5.6%		
Cash Flow (EUR Mn)	2017	2018	2019	2020	2021	2022e	2023e	2024e	17-21	21-24e
Recurrent EBITDA						120.3	93.0	95.8	5.0%	3.8%
Rentals (IFRS 16 impact)						(6.3)	(6.3)	(6.3)		
Working Capital Increase						(15.0)	14.6	(0.1)		
Recurrent Operating Cash Flow						99.0	101.3	89.3	-2.8%	20.6%
CAPEX						(35.0)	(30.0)	(30.0)		
Net Financial Result affecting the Cash Flow						(4.8)	(3.9)	(2.8)		
Tax Expense						(16.6)	(11.5)	(12.2)		
Recurrent Free Cash Flow						42.5	55.9	44.3	-32.6%	n.a.
Restructuring Expense & Other non-rec.						-	-	-		
- Acquisitions / + Divestures of assets						-	-	-		
Extraordinary Inc./Exp. Affecting Cash Flow						-	-	-		
Free Cash Flow						42.5	55.9	44.3	n.a.	25.2%
Share buyback						(21.3)	(13.7)	(13.5)		
Dividends						(8.2)	(14.2)	(10.8)		
Net Debt Variation						(13.0)	(27.9)	(20.1)		

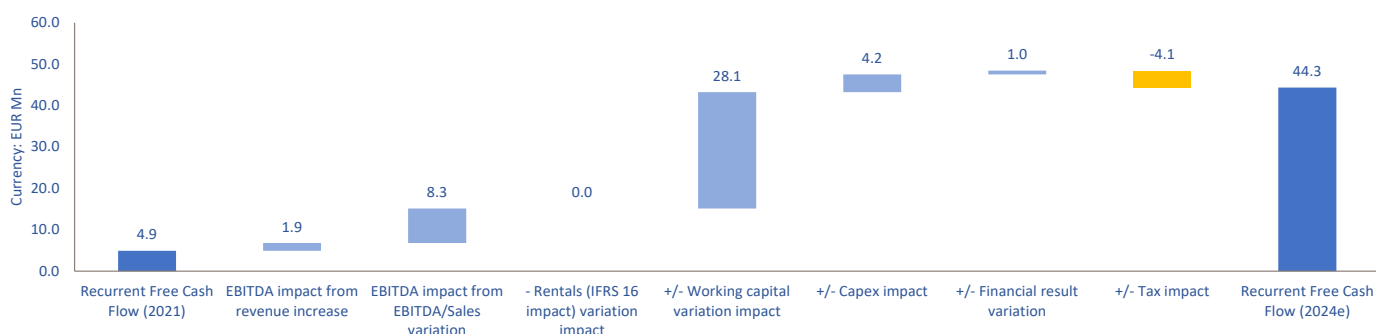
Appendix 2. Free Cash Flow

A) Cash Flow Analysis (EUR Mn)	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
								18-21	21-24e
Recurrent EBITDA	64.3	58.0	48.2	85.6	120.3	93.0	95.8	10.0%	3.8%
<i>Recurrent EBITDA growth</i>	-8.5%	-9.7%	-16.9%	77.4%	40.6%	-22.7%	3.0%		
<i>Rec. EBITDA/Revenues</i>	9.5%	8.6%	8.3%	10.4%	11.4%	11.0%	11.1%		
- Rentals (IFRS 16 impact)	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
+/- Working Capital increase	(17.1)	28.8	35.0	(28.3)	(15.0)	14.6	(0.1)		
= Recurrent Operating Cash Flow	47.2	79.8	76.0	51.0	99.0	101.3	89.3	2.6%	20.6%
<i>Rec. Operating Cash Flow growth</i>	-17.4%	69.1%	-4.8%	-32.9%	94.3%	2.3%	-11.8%		
<i>Rec. Operating Cash Flow / Sales</i>	7.0%	11.8%	13.1%	6.2%	9.4%	12.0%	10.4%		
- CAPEX	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
- Net Financial Result affecting Cash Flow	(6.3)	(5.1)	(5.8)	(3.8)	(4.8)	(3.9)	(2.8)		
- Taxes	6.9	0.4	5.6	(8.0)	(16.6)	(11.5)	(12.2)		
= Recurrent Free Cash Flow	5.6	38.1	41.7	4.9	42.5	55.9	44.3	-4.4%	n.a.
<i>Rec. Free Cash Flow growth</i>	-76.4%	579.7%	9.4%	-88.2%	768.1%	31.4%	-20.6%		
<i>Rec. Free Cash Flow / Revenues</i>	0.8%	5.6%	7.2%	0.6%	4.0%	6.6%	5.2%		
- Restructuring expenses & others	-	-	-	-	-	-	-		
- Acquisitions / + Divestments	-	5.7	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(4.7)	(22.1)	(6.4)	17.7	-	-	-		
= Free Cash Flow	0.9	21.7	35.2	22.6	42.5	55.9	44.3	n.a.	25.2%
<i>Free Cash Flow growth</i>	-2.4%	n.a.	62.1%	-35.9%	88.2%	31.4%	-20.6%		
<i>Recurrent Free Cash Flow - Yield (s/Mkt Cap)</i>	1.6%	11.2%	12.2%	1.4%	12.5%	16.4%	13.0%		
<i>Free Cash Flow Yield (s/Mkt Cap)</i>	0.3%	6.4%	10.4%	6.6%	12.5%	16.4%	13.0%		
B) Analytical Review of Annual Recurrent Free Cash Flow Performance (Eur Mn)									
Recurrent FCF(FY - 1)	23.8	5.6	38.1	41.7	4.9	42.5	55.9		
EBITDA impact from revenue increase	(1.2)	0.1	(8.4)	20.3	24.2	(23.8)	1.5		
EBITDA impact from EBITDA/Sales variation	(4.7)	(6.3)	(1.4)	17.0	10.6	(3.5)	1.2		
= Recurrent EBITDA variation	(6.0)	(6.2)	(9.8)	37.3	34.8	(27.3)	2.8		
- Rentals (IFRS 16 impact) variation impact	-	(7.1)	(0.2)	1.0	-	-	-		
+/- Working capital variation impact	(3.9)	45.9	6.2	(63.3)	13.3	29.6	(14.7)		
= Recurrent Operating Cash Flow variation	(9.9)	32.6	(3.8)	(25.0)	48.0	2.3	(12.0)		
+/- CAPEX impact	0.7	5.0	3.0	(0.1)	(0.8)	5.0	-		
+/- Financial result variation	0.0	1.3	(0.7)	2.0	(1.0)	0.9	1.1		
+/- Tax impact	(9.0)	(6.4)	5.1	(13.6)	(8.6)	5.1	(0.6)		
= Recurrent Free Cash Flow variation	(18.2)	32.5	3.6	(36.8)	37.6	13.3	(11.5)		
Recurrent Free Cash Flow	5.6	38.1	41.7	4.9	42.5	55.9	44.3		
C) "FCF to the Firm" (pre debt service) (EUR Mn)									
EBIT	43.2	31.2	14.9	53.7	91.8	63.9	66.2	7.5%	7.2%
* <i>Theoretical Tax rate</i>	0.0%	0.0%	10.4%	15.4%	19.0%	19.0%	19.0%		
= Taxes (pre- Net Financial Result)	-	-	(1.6)	(8.2)	(17.4)	(12.1)	(12.6)		
Recurrent EBITDA	64.3	58.0	48.2	85.6	120.3	93.0	95.8	10.0%	3.8%
- Rentals (IFRS 16 impact)	-	(7.1)	(7.3)	(6.3)	(6.3)	(6.3)	(6.3)		
+/- Working Capital increase	(17.1)	28.8	35.0	(28.3)	(15.0)	14.6	(0.1)		
= Recurrent Operating Cash Flow	47.2	79.8	76.0	51.0	99.0	101.3	89.3	2.6%	20.6%
- CAPEX	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
- Taxes (pre- Financial Result)	-	-	(1.6)	(8.2)	(17.4)	(12.1)	(12.6)		
= Recurrent Free Cash Flow (To the Firm)	5.1	42.7	40.3	8.5	46.5	59.1	46.7	18.7%	76.7%
<i>Rec. Free Cash Flow (To the Firm) growth</i>	-64.4%	742.2%	-5.6%	-79.0%	449.6%	27.1%	-21.0%		
<i>Rec. Free Cash Flow (To the Firm) / Revenues</i>	0.7%	6.3%	7.0%	1.0%	4.4%	7.0%	5.4%		
- Acquisitions / + Divestments	-	5.7	-	-	-	-	-		
+/- Extraordinary Inc./Exp. affecting Cash Flow	(4.7)	(22.1)	(6.4)	17.7	-	-	-		
= Free Cash Flow "To the Firm"	0.4	26.3	33.9	26.2	46.5	59.1	46.7	n.a.	21.3%
<i>Free Cash Flow (To the Firm) growth</i>	-97.1%	n.a.	28.5%	-22.7%	77.9%	27.1%	-21.0%		
<i>Rec. Free Cash Flow To the Firm Yield (o/EV)</i>	1.2%	10.4%	9.8%	2.1%	11.3%	14.3%	11.3%		
<i>Free Cash Flow "To the Firm" - Yield (o/EV)</i>	0.1%	6.4%	8.2%	6.3%	11.3%	14.3%	11.3%		

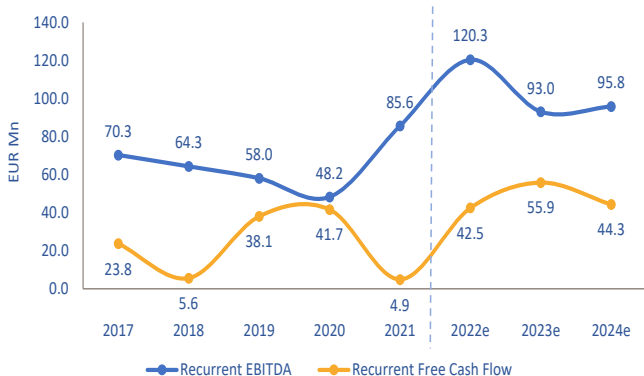
Recurrent Free Cash Flow accumulated variation analysis (2017 - 2021)



Recurrent Free Cash Flow accumulated variation analysis (2021 - 2024e)



Recurrent EBITDA vs Recurrent Free Cash Flow



Stock performance vs EBITDA 12m forward



Appendix 3. EV breakdown at the date of this report

	EUR Mn	Source
Market Cap	340.3	
+ Minority Interests	-	12m Results 2021
+ Provisions & Other L/T Liabilities	15.1	12m Results 2021
+ Net financial debt	87.1	3m Results 2022
- Financial Investments	30.3	12m Results 2021
+/- Others		
Enterprise Value (EV)	412.2	

Appendix 4. Historical performance (1)

Historical performance (EUR Mn)	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e	CAGR	
															11-21	21-24e
Total Revenues	686.0	677.5	625.0	603.7	618.3	602.5	689.3	677.1	677.9	579.3	822.9	1,055.7	846.6	860.5	1.8%	1.5%
Total Revenues growth	12.6%	-1.2%	-7.8%	-3.4%	2.4%	-2.5%	14.4%	-1.8%	0.1%	-14.6%	42.1%	28.3%	-19.8%	1.6%		
EBITDA	16.2	8.4	24.5	16.9	32.9	61.5	48.5	67.3	62.4	47.3	85.2	120.3	93.0	95.8	18.0%	4.0%
EBITDA growth	456.2%	-48.2%	190.5%	-31.1%	95.3%	87.0%	-21.1%	38.6%	-7.2%	-24.2%	80.0%	41.3%	-22.7%	3.0%		
EBITDA/Sales	2.4%	1.2%	3.9%	2.8%	5.3%	10.2%	7.0%	9.9%	9.2%	8.2%	10.4%	11.4%	11.0%	11.1%		
Net Profit	(0.8)	(12.1)	(0.3)	(7.1)	7.2	45.2	44.5	44.9	31.0	6.3	43.3	71.0	49.1	51.8	49.4%	6.2%
Net Profit growth	94.2%	n.a.	97.4%	n.a.	202.0%	523.8%	-1.5%	0.9%	-30.8%	-79.8%	592.0%	63.9%	-30.9%	5.6%		
Adjusted number shares (Mn)	100.6	100.8	103.5	111.5	114.0	114.1	112.3	109.2	106.2	102.6	101.0	98.8	96.6	96.6		
EPS (EUR)	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.40	0.41	0.29	0.06	0.43	0.72	0.51	0.54	49.4%	7.7%
EPS growth	94.2%	n.a.	97.4%	n.a.	n.a.	n.a.	0.1%	3.7%	-28.9%	-79.1%	n.a.	67.6%	-29.3%	5.6%		
Ord. EPS (EUR)	-0.01	-0.12	0.00	-0.06	0.06	0.40	0.45	0.32	0.19	0.07	0.43	0.72	0.51	0.54	49.5%	7.5%
Ord. EPS growth	94.2%	n.a.	97.4%	n.a.	n.a.	n.a.	13.4%	-28.6%	-39.2%	-64.7%	n.a.	66.3%	-29.3%	5.6%		
CAPEX	(8.1)	(16.1)	(4.4)	(6.2)	(9.2)	(18.7)	(42.8)	(42.1)	(37.1)	(34.1)	(34.2)	(35.0)	(30.0)	(30.0)		
CAPEX/Sales %	1.2%	2.4%	0.7%	1.0%	1.5%	3.1%	6.2%	6.2%	5.5%	5.9%	4.2%	3.3%	3.5%	3.5%		
Free Cash Flow	3.4	3.4	19.6	23.4	6.6	20.5	0.9	0.9	21.7	35.2	22.6	42.5	55.9	44.3	20.9%	25.2%
ND/EBITDA (x) (2)	3.3x	17.3x	5.2x	6.1x	2.8x	1.3x	1.8x	1.6x	1.6x	1.6x	0.7x	0.4x	0.2x	0.0x		
P/E (x)	n.a.	n.a.	n.a.	n.a.	9.1x	4.4x	6.8x	7.2x	8.6x	35.3x	6.9x	4.7x	6.6x	6.3x		
EV/Sales (x)	0.18x	0.27x	0.28x	0.24x	0.26x	0.48x	0.60x	0.69x	0.57x	0.53x	0.44x	0.39x	0.49x	0.48x		
EV/EBITDA (x) (2)	7.6x	22.1x	7.3x	8.7x	5.0x	4.7x	8.5x	6.9x	6.2x	6.5x	4.2x	3.4x	4.4x	4.3x		
Absolute performance	-4.8%	-41.2%	18.7%	-17.3%	56.7%	198.7%	57.0%	9.9%	-15.8%	-14.0%	37.8%	13.5%				
Relative performance vs Ibx 35	9.6%	-38.3%	-2.2%	-20.2%	68.8%	204.8%	46.2%	29.2%	-24.7%	1.7%	27.7%	22.6%				

Note 1: The multiples are historical, calculated based on the price and EV at the end of each year, except (if applicable) in the current year, when multiples would be given at current prices. The absolute and relative behavior corresponds to each exercise (1/1 to 31/12). The source, both historical multiples and the evolution of the price, is Factset.

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 5. Main peers 2022e

Market data	EUR Mn	Europe				USA				Average	ECR
		BASF SE	Solvay	Covestro AG	Average	DowDuPont	Olin Corp	Westlake	Average		
Ticker (Factset)		BAS-DE	SOLB-BE	1COV-DE		DOW-US	OLN-US	WLK-US		ECR-ES	
Country		Germany	Belgium	Germany		USA	USA	USA		Spain	
Market cap		44,445.2	9,183.7	7,650.7		40,956.4	8,343.8	14,098.3		340.3	
Enterprise value (EV)		62,111.2	13,383.7	9,635.7		53,490.9	11,178.8	19,096.1		412.2	
Total Revenues		83,705.7	12,031.7	17,917.9		56,974.5	9,626.5	15,250.0		1,055.7	
Total Revenues growth		6.5%	5.2%	12.7%	8.1%	7.9%	12.5%	34.8%	18.4%	28.3%	
2y CAGR (2022e - 2024e)		0.2%	2.8%	-0.5%	0.8%	-1.2%	-1.1%	-0.9%	-1.1%	-9.7%	
EBITDA		10,711.1	2,488.6	2,412.3		10,869.5	2,674.9	4,644.8		120.3	
EBITDA growth		-0.4%	13.7%	-21.4%	-2.7%	5.5%	20.6%	32.1%	19.4%	41.3%	
2y CAGR (2022e - 2024e)		1.6%	4.2%	4.1%	3.3%	-3.9%	-5.4%	-9.6%	-6.3%	-10.8%	
EBITDA/Revenues		12.8%	20.7%	13.5%	15.6%	19.1%	27.8%	30.5%	25.8%	11.4%	
EBIT		6,942.1	1,642.9	1,485.4		8,076.7	2,115.0	3,747.7		91.8	
EBIT growth		-0.2%	28.2%	-34.0%	-2.0%	6.6%	28.2%	38.3%	24.4%	71.1%	
2y CAGR (2022e - 2024e)		1.1%	5.5%	5.3%	4.0%	-7.2%	-5.6%	-13.2%	-8.7%	-15.1%	
EBIT/Revenues		8.3%	13.7%	8.3%	10.1%	14.2%	22.0%	24.6%	20.2%	8.7%	
Net Profit		4,668.0	1,023.1	1,041.4		5,694.6	1,466.6	2,635.6		71.0	
Net Profit growth		-16.0%	8.5%	-35.6%	-14.4%	-5.6%	17.7%	36.8%	16.3%	63.9%	
2y CAGR (2022e - 2024e)		4.4%	7.4%	5.5%	5.8%	-7.3%	-7.2%	-12.9%	-9.1%	-14.6%	
CAPEX/Sales %		5.4%	7.2%	5.6%	6.1%	3.6%	2.2%	5.9%	3.9%	3.3%	
Free Cash Flow		2,352.9	711.9	687.8		5,836.5	1,732.1	2,508.6		42.5	
Net financial debt		17,392.5	2,859.9	2,091.2		9,420.5	1,286.8	2,320.8		46.6	
ND/EBITDA (x)		1.6	1.1	0.9	1.2	0.9	0.5	0.5	0.6	0.4	
Pay-out		68.3%	39.8%	48.5%	52.2%	35.2%	8.5%	5.6%	16.5%	20.0%	
P/E (x)		8.2	8.6	7.1	8.0	7.3	5.8	5.3	6.1	4.7	
P/BV (x)		1.1	1.0	0.9	1.0	2.1	2.6	1.5	2.1	0.9	
EV/Revenues (x)		0.7	1.1	0.5	0.8	0.9	1.2	1.3	1.1	0.4	
EV/EBITDA (x)		5.8	5.4	4.0	5.1	4.9	4.2	4.1	4.4	3.4	
EV/EBIT (x)		8.9	8.1	6.5	7.9	6.6	5.3	5.1	5.7	4.5	
ROE		13.1	11.7	13.4	12.7	28.5	44.6	29.0	34.1	20.1	
FCF Yield (%)		5.3	7.8	9.0	7.3	14.3	20.8	17.8	17.6	12.5	
DPS		3.47	3.93	2.62	3.34	2.70	0.78	1.16	1.55	0.14	
Dvd Yield		7.2%	4.5%	6.6%	6.1%	4.8%	1.4%	1.1%	2.4%	4.3%	

Note 1: Financial data, multiples and ratios based on market consensus (Factset). In the case of the company analyzed, own estimates (Lighthouse).

Note 2: All ratios and multiples on EBITDA refer to total EBITDA (not to recurrent EBITDA).

Appendix 6. Valuation inputs

Inputs for the DCF Valuation Approach

	2022e	2023e	2024e	Terminal Value ⁽¹⁾		
Free Cash Flow "To the Firm"	46.5	59.1	46.7	502.6		
Market Cap	340.3	At the date of this report				
Net financial debt	87.1	Debt net of Cash (3m Results 2022)				
					Best Case	Worst Case
Cost of Debt	4.5%	Net debt cost			4.3%	4.8%
Tax rate (T)	20.0%	T (Normalised tax rate)			=	=
Net debt cost	3.6%	$K_d = \text{Cost of Net Debt} * (1-T)$			3.4%	3.8%
Risk free rate (rf)	3.1%	Rf (10y Spanish bond yield)			=	=
Equity risk premium	8.0%	R (own estimate)			7.5%	8.5%
Beta (B)	1.2	B (own estimate)			1.1	1.2
Cost of Equity	12.7%	$K_e = R_f + (R * B)$			11.3%	13.3%
Equity / (Equity + Net Debt)	79.6%	E (Market Cap as equity value)			=	=
Net Debt / (Equity + Net Debt)	20.4%	D			=	=
WACC	10.8%	$WACC = K_d * D + K_e * E$			9.7%	11.3%
G "Fair"	1.5%				2.0%	1.0%

(1) The terminal value reflects the NAV of FCF beyond the period estimated with the WACC and G of the central scenario.

Inputs for the Multiples Valuation Approach

Company	Ticker Factset	Mkt. Cap	P/E 22e	EPS 22e-24e	EV/EBITDA 22e	EBITDA 22e-24e	EV/Sales 22e	Revenues 22e-24e	EBITDA/Sales 22e	FCF Yield 22e	FCF 22e-24e
BASF SE	BAS-DE	44,445.2	8.2	1.5%	5.8	1.6%	0.7	0.2%	12.8%	5.3%	28.2%
Solvay	SOLB-BE	9,183.7	8.6	7.0%	5.4	4.2%	1.1	2.8%	20.7%	7.8%	18.1%
Covestro AG	1COV-DE	7,650.7	7.1	6.2%	4.0	4.1%	0.5	-0.5%	13.5%	9.0%	8.0%
Europe			8.0	4.9%	5.1	3.3%	0.8	0.8%	15.6%	7.3%	18.1%
DowDuPont	DOW-US	40,956.4	7.3	-3.0%	4.9	-3.9%	0.9	-1.2%	19.1%	14.3%	-11.7%
Olin Corp	OLN-US	8,343.8	5.8	-4.7%	4.2	-5.4%	1.2	-1.1%	27.8%	20.8%	-2.8%
Westlake	WLK-US	14,098.3	5.3	-11.9%	4.1	-9.6%	1.3	-0.9%	30.5%	17.8%	-4.5%
USA			6.1	-6.5%	4.4	-6.3%	1.1	-1.1%	25.8%	17.6%	-6.3%
ECR	ECR-ES	340.3	4.7	-13.6%	3.4	-10.8%	0.4	-9.7%	11.4%	12.5%	2.1%

Free Cash Flow sensitivity analysis (2023e)

A) Rec. EBITDA and EV/EBITDA sensitivity to changes in EBITDA/Sales

Scenario	EBITDA/Sales 23e	EBITDA 23e	EV/EBITDA 23e
Max	11.5%	97.2	4.2x
Central	11.0%	93.0	4.4x
Min	10.5%	88.8	4.6x

B) Rec. FCF and Rec. FCF - Yield sensitivity to changes in EBITDA and CAPEX/sales

FCF Rec. EUR Mn	CAPEX/Sales 23e			Scenario	Rec. FCF/Yield 23e		
	3.1%	3.5%	3.9%		Max	Central	Min
EBITDA 23e	3.1%	3.5%	3.9%	Max	18.7%	17.7%	16.7%
97.2	63.5	60.1	56.7	Central	17.4%	16.4%	15.4%
93.0	59.2	55.9	52.5	Min	16.2%	15.2%	14.2%
88.8	55.0	51.6	48.2				

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Date of report	Recommendation	Price (EUR)	Target price (EUR)	Period of validity	Reason for report	Analyst
15-Jun-2022	n.a.	3.37	n.a.	n.a.	Estimates upgrade	David López Sánchez
04-May-2022	n.a.	3.38	n.a.	n.a.	3m Results 2022	David López Sánchez
25-Feb-2022	n.a.	3.02	n.a.	n.a.	12m Results 2021	David López Sánchez
10-Nov-2021	n.a.	3.52	n.a.	n.a.	9m Results 2021	David López Sánchez
29-Jul-2021	n.a.	3.36	n.a.	n.a.	6m Results 2021 - Estimates upgrade	David López Sánchez
12-May-2021	n.a.	3.16	n.a.	n.a.	3m Results 2021 - Estimates upgrade	David López Sánchez
26-Feb-2021	n.a.	2.41	n.a.	n.a.	12m Results 2020	David López Sánchez
16-Nov-2020	n.a.	2.01	n.a.	n.a.	9m Results 2020	David López Sánchez
03-Aug-2020	n.a.	1.73	n.a.	n.a.	6m Results 2020 - Estimates upgrade	David López Sánchez
15-May-2020	n.a.	1.95	n.a.	n.a.	3m Results 2020	David López Sánchez
30-Apr-2020	n.a.	2.66	n.a.	n.a.	Estimates downgrade	David López Sánchez
02-Mar-2020	n.a.	2.28	n.a.	n.a.	12m Results 2019	David López Sánchez
06-Nov-2019	n.a.	2.42	n.a.	n.a.	9m Results 2019 - Estimates upgrade	David López Sánchez
29-Jul-2019	n.a.	1.92	n.a.	n.a.	6m Results 2019	David López Sánchez
03-Jun-2019	n.a.	2.22	n.a.	n.a.	Initiation of Coverage	David López Sánchez

